



STATE OF NORTH CAROLINA

MICHAEL F. EASLEY
GOVERNOR

March 10, 2008

The Honorable Congressman G.K. Butterfield
United States House of Representatives
413 Cannon House Office Building
Washington, DC 20515

Dear Congressman Butterfield:

I am writing to urge you to prevent implementation of several proposed Medicaid regulations that will shift more of the cost of services to state governments. Each of these regulations would impair our ability to provide the same level of Medicaid services and to ensure the fair reimbursement of health care providers, without increasing the burden to North Carolina taxpayers.

At our recent National Governors' Association (NGA) meeting, I and my colleagues from across the nation wrote Congressional leaders asking that Congress take action to delay implementation of the Medicaid regulations.

Congress has already placed a moratorium on several of these regulations, although those moratoriums expire in May and June. The Administration has also additional regulations on Targeted Case Management (TCM) and provider taxes that would place undue restrictions on North Carolina's Medicaid program.

The elimination of the payment for Graduate Medical Education would result in a decrease of federal funding to our state Medicaid program of \$84 million annually. This would be a loss not only to our hospitals, but also to our state's most vulnerable citizens covered by the Medicaid program and served by these hospitals.

The limits on provider costs would immediately affect North Carolina's 42 public hospitals that provide care, in a hospital setting, for both our Medicaid and indigent population. Most recently, these hospitals provided care to both populations at a cost of nearly \$900 million. The cost limits for provider regulation would weaken the state's effort to provide the basic care necessary for North Carolina's Medicaid recipients.

Honorable Congressman G.K. Butterfield

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We need your help to protect the most vulnerable North Carolinians and ensure they continue to receive access to services. With my other governors, I ask that you act to place a moratorium on these types of cost-shifting strategies.

With kindest regards, I remain

Very truly yours,

Michael F. Easley

Seeking Extension of Current Moratorium on Regulations

- **Cost limit for Providers Operated by Units of Government** – This regulation imposes new restrictions on payments to providers operated by units of government. It requires providers to keep all Medicaid payments. Moratorium expires on May 25, 2008.
- **Graduate Medical Education (GME)** – This regulation would eliminate Medicaid reimbursement for GME. Moratorium expires on May 25, 2008.
- **Rehabilitation Service Option** – Regulation would create a distinction between habilitation services and rehabilitation services. Whereby, eliminating coverage and federal financial participation for day habilitation services for people with developmental disabilities. Moratorium expires on June 30, 2008.
- **Administrative Claiming and Transportation Costs for School Based Services** – This regulation would prohibit states long-time use of receiving federal financial participation for the administrative activities such as outreach, enrollment and support of gaining access to EPSDT services performed by schools and transportation of school-age children to and from school. Moratorium expires on June 30, 2008.

Seeking Moratorium on Regulations

- **Medicaid Targeted Case Management (TCM)** – This regulation codifies the services covered by case management services and targeted case management services. In short, it clarifies the definition of TCM and that federal financial participation is not available to states for TCM when there are other third parties liable to pay for those services. This regulation is effective on Monday, March 3, 2008.
- **Provider Taxes** – This regulation implements section 403 of the Tax Relief and Health Care Act (TRHC) of 2006. The final regulation phases down the allowable provider tax, revises the indirect hold harmless threshold and clarifies language regarding permissible classes of health care services that may be taxed. This final regulation is effective April 22, 2008.
- **Outpatient Hospital** – This proposed regulation limits the funding that states pay for outpatient visits to hospitals and clinics by restricting costs that can be counted in the upper payment limit. This is the maximum states can pay for these services. The Outpatient Hospital proposed rule was published by CMS in the *Federal Register* on September 28, 2007. Please note this regulation does have an adverse impact on our hospitals, but does not have a direct impact on North Carolina's Medicaid program.